

TENNESSEE EDUCATION LOTTERY CORPORATION
Funding Board Presentation
April 26, 2005

UPDATED ESTIMATION OF
TOTAL AND NET PROCEEDS FOR
FISCAL YEARS ENDED JUNE 30, 2005 AND JUNE 30, 2006

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FISCAL YEARS ENDED JUNE 30, 2005 AND JUNE 30, 2006**

SUMMARY INFORMATION for Fiscal Year 2005:

As of March 31, 2005 (in Millions)

Gross Ticket Sales	\$617.9
Weekly Average	\$ 15.89
Total Proceeds	\$576.5
Return to Education	\$168.3
% of Total Proceeds	29.2%
Due to After-School Program	\$ 3.8
Retailers	Approximately 4,300

Projected for Fiscal Year Ending June 30, 2005 (in Millions)

	<u>Low Range</u>	<u>High Range</u>
Gross Ticket Sales	\$814.66	\$837.34
Weekly Average	\$ 15.62	\$ 16.06
Total Proceeds	\$759.75	\$780.36
Return to Education	\$217.51	\$223.53
% of Total Proceeds	28.6%	28.6%
Due to After-School Program	\$ 4.81	\$ 4.93

SALES ASSUMPTIONS:

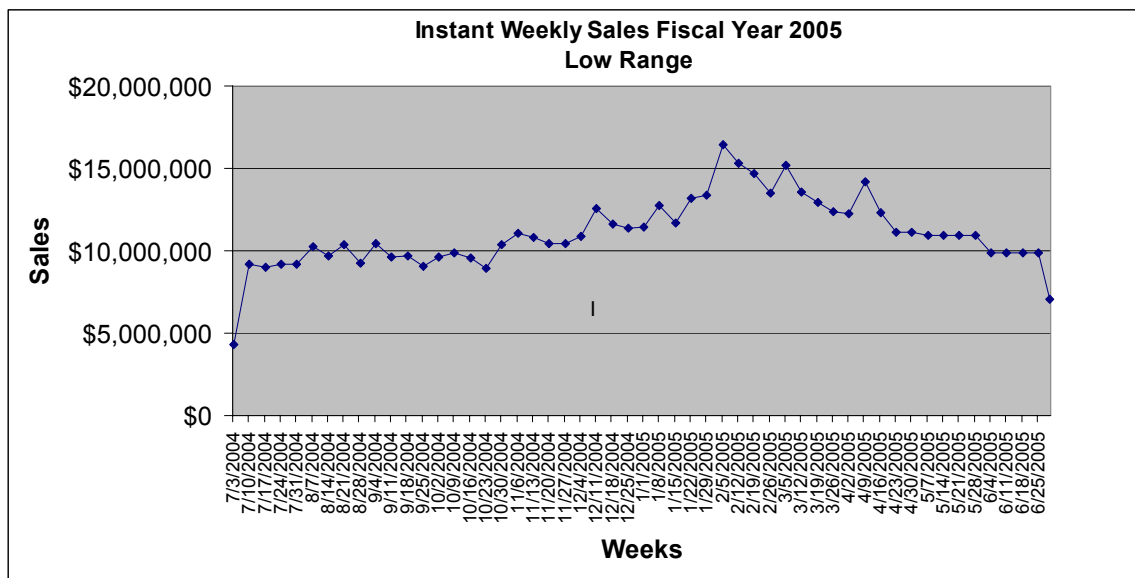
Instant Ticket Sales

Weekly average for gross instant ticket sales at March 31, 2005 was \$11.3 million.

Low Range:

The low range projection assumes the current downward trend of weekly instant sales beginning March 2005. Average weekly instant sales declined 10% in March compared to February 2005. This trend continued when comparing the first 3 weeks of April 2005 to the first 3 weeks of similar sales activity in March 2005.

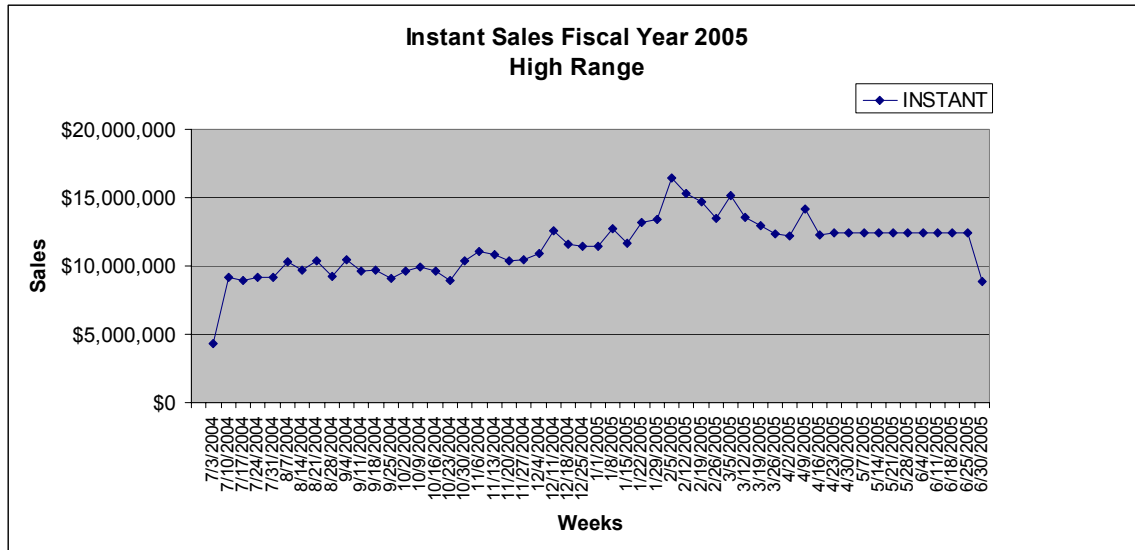
Continuing this trend will result in average weekly sales for the April – June quarter of \$10.9 million, and projected fiscal year 2005 weekly average of \$ 11.2 million.



High Range:

The high range projection assumes the stabilization of weekly instant sales based on the most recent 4 weeks ending April 16, 2005, exclusive of the game launch week ending April 9, 2005. We currently launch 3 instant games during the first full week of each month, resulting in slighter higher sales than can be expected during a normal sales week.

Stabilization of instant sales for the remainder of the April – June quarter based on the above assumption will result in average weekly sales of \$ 12.6 million, and a projected fiscal year 2005 weekly average of \$ 11.6 million.



Powerball Ticket Sales

Weekly average for Powerball sales at March 31, 2005 was \$2.75 million.

Low Range:

A review of the jackpot draw cycles during the most recent quarter reflects 7 cycles with the average jackpot reaching \$25-\$26 million. This indicates a higher frequency of jackpot winners during this 13-week cycle period than normally expected for the game, resulting in lower overall sales. Weekly sales during the \$25-\$26 million cycle averaged \$1.88 million.

If this high frequency of jackpot wins continue for the remainder of the April – June quarter, average weekly Powerball sales will be \$ 1.86 million, and projected weekly fiscal year 2005 Powerball sales will average \$2.54 million.

High Range:

Average weekly Powerball sales during the most recent quarter were \$2.1 million. Due to the significantly large jackpots experienced during the first 2 quarters of fiscal year 2005, we do not expect any such large jackpots for the remainder of the fiscal year. Therefore, we are being conservative in our estimate of Powerball sales, and will utilize the 3rd quarter average weekly sales of \$2.1 for the remainder of the fiscal year.

Using this estimate, weekly Powerball sales for the April-June quarter will average \$2.04 million, and projected weekly fiscal year 2005 sales will average \$2.59 million.

CASH3 Ticket Sales

Weekly average for CASH3 sales at March 31, 2005 was \$1.37 million.

Low and High Range:

CASH3 sales have been consistent on a weekly basis, with only a small increase experienced between second and third quarters. Additionally, with the introduction of CASH4 in the current quarter (April 17, 2005), we expect some impact on CASH 3 sales. As a result, we are projecting weekly sales for both the high and low ranges of \$1.2 million, reflecting an approximate 10% decline compared to the fiscal year average, to accommodate for offset from CASH4 sales.

Lotto 5 Ticket Sales

Weekly average for Lotto 5 sales at March 31, 2005 was \$.51 million.

Low and High Range:

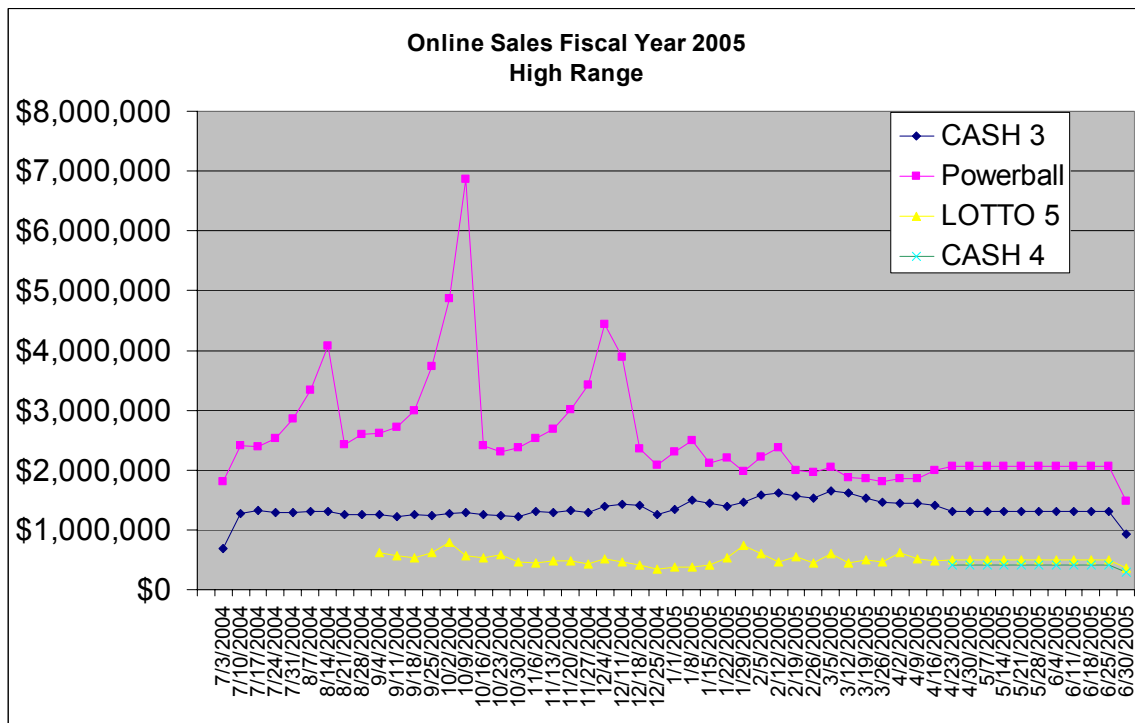
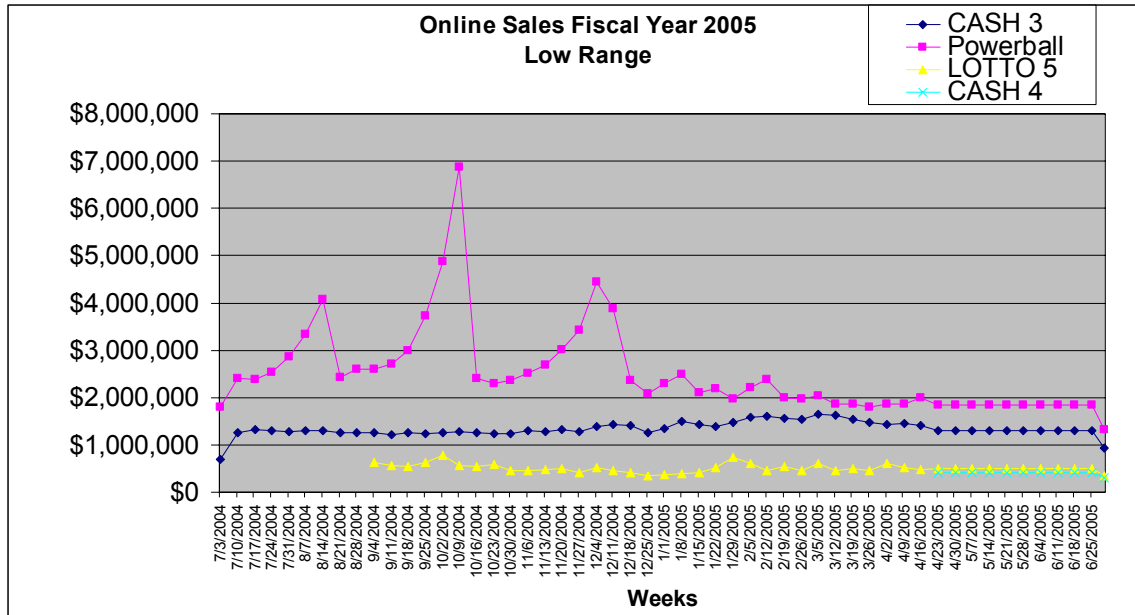
The low and high range for Lotto 5 for the April – June quarter projects weekly sales of \$.5 million, representing the average as of March 31, 2005. We are not anticipating a significant change in weekly sales for this game for the remainder of the fiscal year.

CASH4 Ticket Sales

CASH4 was introduced April 17, 2005. Our preliminary estimate for this game is \$.41 million a week in sales, based on comparables to other states and this game's sales in comparison to CASH3, a similar style game.

Low and High Range:

As a result of the recent introduction of this game, our estimate for the low and high range of CASH4 average weekly sales will be \$.41 million.



Other Relevant Data

Direct Gaming-Related Expenses

Prize Expense for Instant Tickets at March 31, 2005 was 61.8 %. We expect the prize expense for the remainder of the fiscal year to be approximately 63%, which is consistent with the percentage recognized in February and March 2005.

Prize Expense for Online Games is currently at 50% of sales, except for Cash 3 at 50.57%. We are projecting online prize expense for the fiscal year to average 50% of sales at June 30, 2005.

Retailer commissions and vendor fees will increase or decrease in proportion to game sales, and are recorded as a percentage of sales in accordance with statute or contractual agreements.

Non-Direct Expenses

Advertising, Other Gaming and Operating expenses are managed in accordance with board-approved budget guidelines. We do not expect to exceed the budgeted amounts for these major line items for the fiscal year ending June 30, 2005.

Estimate for Fiscal Year Ending June 30, 2006 (in Millions)

	<u>Low Range</u>	<u>High Range</u>
Gross Ticket Sales	\$836.40	\$860.12
Total Proceeds	\$780.02	\$801.63
Return to Education	\$226.21	\$232.47
% of Total Proceeds	29 %	29 %
Due to After-School Program	\$ 4.98	\$ 5.11

The estimate is based on 4% growth year over year, similar to the average industry growth rate over the 10-year period ending fiscal year 2004.